

Oil Market Review in Japan No. 12/2020

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https://eneken.ieej.or.jp/en/weekly_oil/index.php

Overview

The key WTI (West Texas Intermediate) crude oil futures contract on NYMEX (New York Mercantile Exchange) in the September 3-September 9 week moved within a range between \$36.76 per barrel and \$41.37/bbl.

On September 10, the October contract turned down due to the weekly announcement of the U.S. Energy Information Administration (EIA) that the U.S. crude oil inventory increased by 2 million barrels (bbl), which was beyond the market expectation of the decrease of 1.3 million bbl and concerns over diminishing oil demand caused by the final stage of the U.S. driving season and regular maintenance of the oil refineries. The October contract closed at \$37.30/bbl down \$0.75/bbl from the previous day.

On September 11 the key contract rose slightly. Buying and selling became complicated in the wait-and-see mood. Baker Hughes reported that the number of operating U.S. oil-drilling rigs decreased by one unit from a week earlier to 180 units, decreasing for the first time in two weeks. The October contract finished \$0.03/bbl higher at \$37.33/bbl.

On September 14, the key contract turned down slightly due to concerns over diminishing oil demand in the future, which was caused by the monthly announcement of the Organization of Petroleum Exporting Countries (OPEC) of downward revision of the world oil demand forecast for 2020 and 2021. However, the price drop was restricted due to concerns over supply disruption while a new hurricane was approaching the Gulf of Mexico. The October contract finished \$0.07/bbl lower at \$37.26/bbl.

On September 15, the key contract expanded due to concerns over oil supply disruption by Hurricane "Sally". However, the price rise was restricted by persisting concerns over diminishing oil demand in the future. The International Energy Agency (IEA) made downward revision of its world oil demand for 2020 in its monthly report. The October contract gained \$1.02/bbl to \$38.28/bbl.

On September 16, the key contract expanded further by the EIA's announcement of decreasing in the U.S. crude oil inventory by 4.4 million bbl compared to the previous week in its weekly report. In addition, the Organization for Economic Co-operation and Development (OECD) made upward revision of the world economic growth rate forecast for 2020 from its forecast at the time of August 2020. The Hurricane "Sally" brought about concerns over oil supply disruption. The October contract gained \$1.88/bbl to \$40.16/bbl.

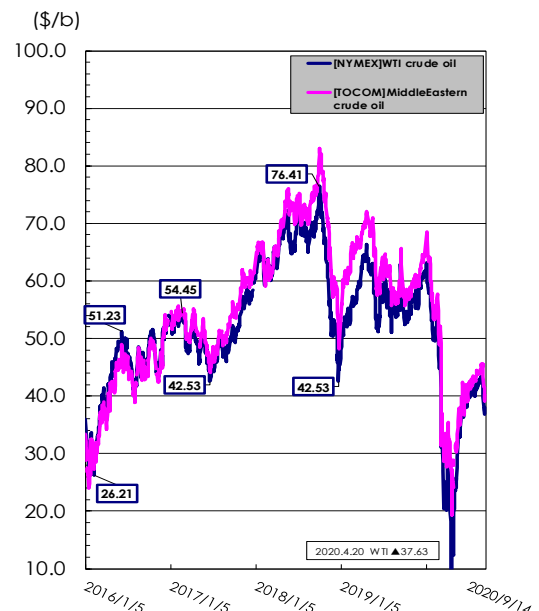
The Asian benchmark crude oil of Dubai for November delivery on the Tokyo market ranged between \$38.90/bbl and \$43.60/bbl in the September 3-September 9 week. It closed at \$40.00/bbl on September 10, at \$39.10/bbl on September 11, at \$39.10/bbl on September 14, at \$38.90/bbl on September 15, at \$40.50/bbl on September 16.

On the foreign exchange market in the September 3-September 9 week, the dollar moved within a range between 105.99 and 106.36 yen. It changed hands at 106.22 yen in late trading on September 10, at 106.16 yen on September 11, at 106.18 yen on September 14, at 105.74 yen on September 15 at 105.38 yen on September 16.

According to preliminary 10-day trade statistics released by the Ministry of Finance on September 16, the average crude oil import CIF price for Japan in the late August period stood at 30,072 yen/kl (kiloliter), up 1,478 yen/kl from the previous 10-day period. In dollars, the price was \$44.97/bbl, up \$1.87/bbl. The average exchange rate was 106.32yen to the dollar. According to preliminary 10-day trade statistics released by the Ministry of Finance September 16, the average crude oil import CIF price for Japan in August stood at 28,979 yen/kl (kiloliter), up 6,924 yen/kl from the previous month. In dollars, the price was \$43.42/bbl, up \$10.72/bbl. The average exchange rate was 106.11 yen to the dollar.

Japan's average retail price on September 14 gained by 0.3 yen/l from a week earlier for gasoline and diesel oil and gained by 1 yen for kerosene on an 18-liter tank basis. The gasoline, diesel oil, and kerosene prices increased for the second straight week. As crude oil cost decreased for the second week of September, Motouri companies decreased their wholesale prices by 3.0 yen/l for gasoline, diesel oil and kerosene for the next week.

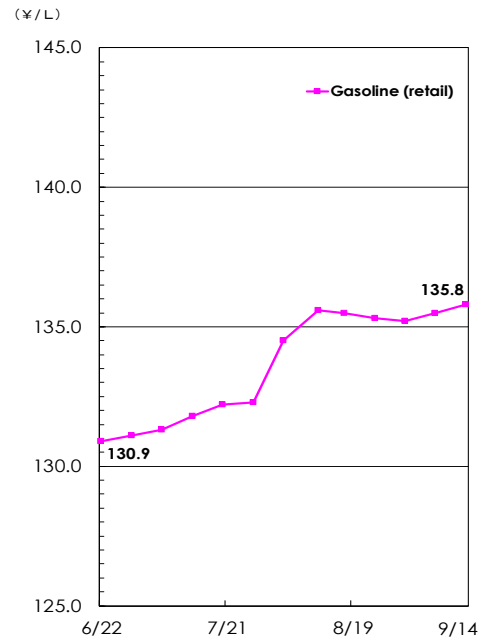
Crude oil			This week	From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	9/6 ~ 9/12	2,581	▲ 116	▼ -
	Topper capacity utilization rate (%)	"	65.9	▲ 2.9	▼ -
	Crude oil inventories (1,000 kl)	9/12	13,228	▼ -624	▲ -
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	9/14	39.43	▼ -2.15	▼ -26.2
	WTI crude oil (NYMEX) (\$/bbl)	9/14	37.26	▲ 0.50	▼ -25.6
	Crude oil import CIF price (\$/bbl)	Late Aug	44.97	▲ 1.87	▼ -22.42
	① Crude oil import CIF price (yen/kl)	"	30,072	▲ 1,478	▼ -15,356
	② Yen-dollar exchange rate (yen/dollar)	"	106.32	▼ -0.84	▲ 0.85
	TTS exchange rate (yen/dollar)	9/14	107.18	▲ 0.18	▲ 2.02



(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/6 ~ 9/12	854	▼ -35	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	794	▼ -199	▼ -	
	Exports	"	34	▲ 34	▲ -	
	Inventories	9/12	1,758	▲ 26	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/8 ~ 9/14	43.7	▼ -2.3	▼ -12.9	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/8 ~ 9/14	38.3	▼ -3.0	▼ -15.6
		(TOCOM/ Chubu)	9/14	41.0	▼ -1.0	▼ -13.8
	Retail prices [weekly trend] (published by ANRE)	9/14	135.8	▲ 0.3	▼ -7.1	

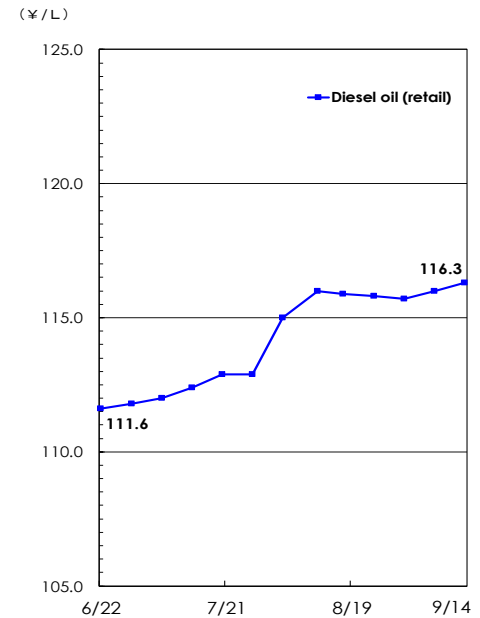
*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

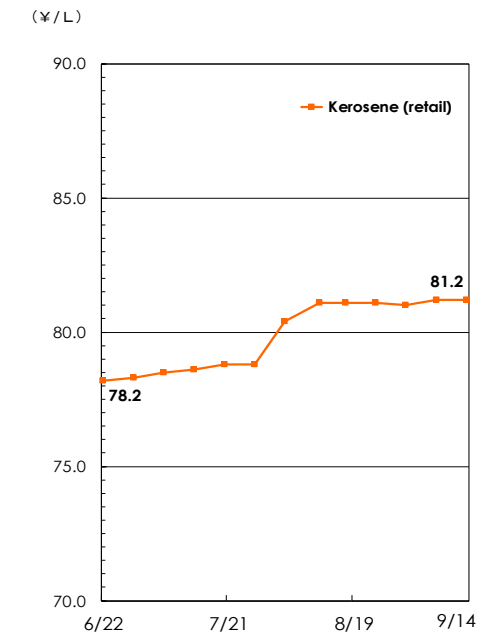
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/6 ~ 9/12	584	▼ -9	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	605	▼ -24	▼ -	
	Exports	"	29	▼ -116	▼ -	
	Inventories	9/12	1,590	▼ -49	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/8 ~ 9/14	47.2	▼ -1.2	▼ -11.2	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/8 ~ 9/14	46.3	▼ -2.0	▼ -12.9
		(TOCOM/ Chubu)	9/14	-	-	-
	Retail prices [weekly trend] (published by ANRE)	9/14	116.3	▲ 0.3	▼ -8.0	

*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	9/6 ~ 9/12	174	▲ 8	▼ -	
	Imports	"	n.d.	n.d.	n.d.	
	Shipments	"	103	▲ 14	▲ -	
	Exports	"	25	▲ 1	▼ -	
	Inventories	9/12	2,650	▲ 46	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	9/8 ~ 9/14	46.6	▼ -1.5	▼ -11.8	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	9/8 ~ 9/14	40.4	▼ -2.4	▼ -17.1
		(TOCOM/ Chubu)	9/14	42.0	▼ -1.5	▼ -16.2
	Retail prices [weekly trend] (published by ANRE)	9/14	81.2	➡ 0.0	▼ -8.6	



Relevant Information

1 Overseas crude oil prices

On September 16, WTI crude oil futures price on NYMEX bounced back to a turning point of \$40/bbl level due to decrease in the U.S. crude oil inventory and concerns over oil supply disruption by Hurricane "Sally". The U.S. EIA Weekly Report said that the U.S. crude oil inventory on September 11 decreased by 4.4 million bbl compared to the previous week, which was beyond the market expectation of the increase by 1.3 million bbl. In addition, OECD made upward revision of the world economic growth rate forecast for 2020 from minus 6.0% at the time of August 2020 to minus 4.5%. These were main factors for the increase in crude oil price. Early in the morning, Hurricane "Sally" landed in southern State of Alabama, where floods and tidal wave occurred. There are concerns about oil supply disruption. The October contract gained \$1.88/bbl to \$40.16/bbl from the previous day. The November contract gained \$1.86/bbl to \$40.41/bbl from the previous day.

According to the EIA, the average U.S. retail price of gasoline as of September 14 decreased by 2.8 cents per gallon from a week earlier to \$2.183/gal (61.7yen/l). The average diesel oil price decreased by 1.3 cents/gal to \$2.422/gal (68.5yen/l). The gasoline and diesel oil prices decreased for the straight second week.

2 Petroleum products supply and demand in Japan (1) Shipments

According to a weekly report by the PAJ (Petroleum Association of Japan), inactive topper capacity in the September 6 - September 12 week in 2020 stood at 819,000 barrels per day, up 93,000 bpd from the previous week (total capacity remained at 3,519,000 bpd).

Crude oil throughput in the week increased by 116,000 kl from the previous week to 2,581,000 kl. From a year earlier, it decreased by 663,000 kl. The topper capacity utilization rate stood at 65.9%, up 2.9 points from the previous week and down 16.9 points from a year earlier.

Production increased from the previous week for jet fuel, kerosene and Fuel Oil A and decreased for other petroleum products. Output was down 4.0% for gasoline, up 3.4% for jet fuel, up 5.0% for kerosene, down 1.6% for diesel oil, up 9.3% for Fuel Oil A and down 21.3% for Fuel Oil C. Fuel Oil C imports in the week totaled 0kl, unchanged from the previous week. Diesel oil exports aggregated 29,000kl, down 116,000 kl from the previous week.

Shipments (excluding imports) in the week increased from the previous week for kerosene and decreased for other petroleum products. From a year earlier, shipments expanded for kerosene and declined for other petroleum products. Gasoline shipments decreased by 20.1% from the previous week to 794,000 kl, decreasing for the first time in three weeks. Shipments totaled 51,000 kl for jet fuel (down 38.4% from the previous week), 103,000 kl for kerosene (up 15.7%), 605,000 kl for diesel oil

(down 3.8%), 138,000 kl for Fuel Oil A (down 8.3%) and 113,000 kl for Fuel Oil C (down 32.8%).

(Unit: 1,000 kl)

	This week (9/6 ~ 9/12)	Previous week (8/30 ~ 9/5)	From a week earlier
Gasoline	794	993	▼ -199 (-20%)
Jet fuel	51	82	▼ -31 (-38%)
Kerosene (heating Oil)	103	89	▲ 14 (16%)
Diesel oil	605	629	▼ -24 (-4%)
Fuel oil A	138	150	▼ -12 (-8%)
Fuel Oil C	113	168	▼ -55 (-33%)
Total	1,804	2,111	▼ -307 (-15%)

This week's shipments = (Previous weekend inventories + This week's production + This week's imports) - (This week's exports + This weekend inventories)

2 Petroleum products supply and demand in Japan (2) Inventories

Inventories as of September 12 decreased from a week earlier for diesel oil and Fuel Oil C and increased for other petroleum products. From a year earlier, inventories shrank for Fuel Oil C, and expanded for other petroleum products.

Gasoline inventories totaled 1,758,000 kl, up 26,000 kl from a week earlier and up 162,000 kl from a year earlier.

Kerosene inventories totaled 2,650,000 kl, up 46,000 kl from a week earlier and up 133,000 kl from a year earlier.

Diesel oil inventories totaled 1,590,000 kl, down 49,000 kl from a week earlier and up 4,000 kl from a year earlier.

Fuel Oil A inventories totaled 723,000 kl, up 11,000 kl from a week earlier and up 11,000 kl from a year earlier.

Fuel Oil C inventories totaled 1,893,000 kl, down 13,000 kl from a week earlier and down 65,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (9/12)	Previous week (9/5)	From a week earlier
Gasoline	1,758	1,732	▲ 26 (2%)
Jet fuel	814	776	▲ 38 (5%)
Kerosene (heating Oil)	2,650	2,604	▲ 46 (2%)
Diesel oil	1,590	1,639	▼ -49 (-3%)
Fuel oil A	723	712	▲ 11 (2%)
Fuel Oil C	1,893	1,906	▼ -13 (-1%)
Total	9,428	9,369	▲ 59 (0.6%)

3 Petroleum products wholesale prices in Japan (1) Wholesale price revision trend

During the September 8- September 14 week, crude oil cost in yen decreased significantly as crude oil price decreased significantly from the previous week, with the leveled off exchange rate of the yen to the US dollar.

For the next week, Motouri companies decreased their wholesale prices by 3.0 yen/l for gasoline, kerosene and diesel oil from the previous week.

3 Petroleum products wholesale prices in Japan (2) Spot (Gyoten) and futures price trend

All spot petroleum products prices in the September 8- September 14 week decreased for all oil products in all trading compared to the period of September 1- September 7.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin - for the September 8- September 14 week) decreased by 2.3 yen/l from the previous week (September 1- September 7) for gasoline, decreased by 1.5 yen/l for kerosene and decreased by 1.2 yen/l for diesel oil. For the latest period of September 8- September 14, price decreased significantly in a 96-99 yen/l range for gasoline; and decreased significantly in a 45-47 yen/l range for kerosene; and decreased in a 46-48 yen/l range for diesel oil.

The average offshore barge spot price in Tokyo Bay decreased by 1.3 yen/l for gasoline, decreased by 1.2 yen/l for kerosene and decreased by 1.2 yen/l for diesel oil for the September 8- September 14 week from the previous week.

Offshore cargo spot prices during the week decreased in a 98-100 yen/l range for gasoline and increased slightly after the significant decrease in a 41-42 yen/l range for kerosene and almost leveled off after the significant decrease in a 48-50 yen/l range for diesel oil in the period of September 8- September 14.

The key average futures price decreased by 3.0 yen/l for gasoline, decreased by 2.4 yen/l for kerosene and decreased by 2.0 yen/l for diesel oil from the previous week. The key futures price during the period of September 8- September 14 fluctuated after the decrease in a 91-93 yen/l range for gasoline, increased after the decrease in a 40 yen/l for kerosene and increased after the significant decrease in a 45-47 yen/l range for diesel oil.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)	
	This week (9/8 ~ 9/14)	Previous week (9/1 ~ 9/7)	From a week earlier
Regular	43.7	46.0	▼ -2.3
Kerosene	46.6	48.1	▼ -1.5
Diesel oil	47.2	48.4	▼ -1.2

Spot
Prices

(TOCOM) [Front-month contract/closing price] [Average]		(Unit: yen/l)	
	This week (9/8 ~ 9/14)	Previous week (9/1 ~ 9/7)	From a week earlier
Regular	38.3	41.3	▼ -3.0
Kerosene	40.4	42.8	▼ -2.4
Diesel oil	46.3	48.3	▼ -2.0

Futures
Price

Above prices are before tax.

Reference (September 8 - September 14 actual data) (Unit: yen/l)

Products	Spot	Futures	Average
Gasoline	▼ -2.3	▼ -3.0	▼ -2.7
Kerosene	▼ -1.5	▼ -2.4	▼ -2.0
Diesel oil	▼ -1.2	▼ -2.0	▼ -1.6
Fuel Oil A	▼ -1.0		

(Source) Spot: RIM 4-district average lorry rack price (Chiba, Kawasaki, Chukyo, Hanshin)

Futures: TOCOM average offshore barge spot price for Keihin District

4 Retail prices of petroleum products in Japan

The average retail service station price as of September 14 increased by 0.3 yen/l from a week earlier to 135.8 yen/l for gasoline, increased by 0.3 yen/l to 116.3 yen/l for diesel oil and increased by 1 yen to 1,462 yen for kerosene on an 18-liter tank basis (or leveled off at 82.1 yen/l) from the previous week (September 7). The gasoline, diesel oil and kerosene prices gained for the second straight week.

Gasoline prices increased in 26 prefectures, leveled off in seven prefectures and decreased in 14 prefectures. The lowest gasoline price among the prefectures was 127.4 yen/l in Tokushima (down 0.2 yen/l from a week earlier). The second lowest was 129.8 yen/l in Miyagi (up 0.1 yen/l). The highest price was 145.3 yen/l in Nagasaki (down 0.4 yen/l). Hokkaido logged the largest price gain of 1.9 yen/l to 134.1 yen/l. The price leveled off in Nagano and other six prefectures. Shiga logged the largest price fall of 1.1 yen/l to 130.3 yen/l.

As crude oil cost in yen decreased significantly for the period from September 8 to September 14 with the large decrease in crude oil price and the leveled off exchange rate of the yen to the U.S. dollar. Motouri companies decreased their wholesale prices by 3.0 yen/l for gasoline, diesel oil and kerosene for the period from September 17 to September 23.

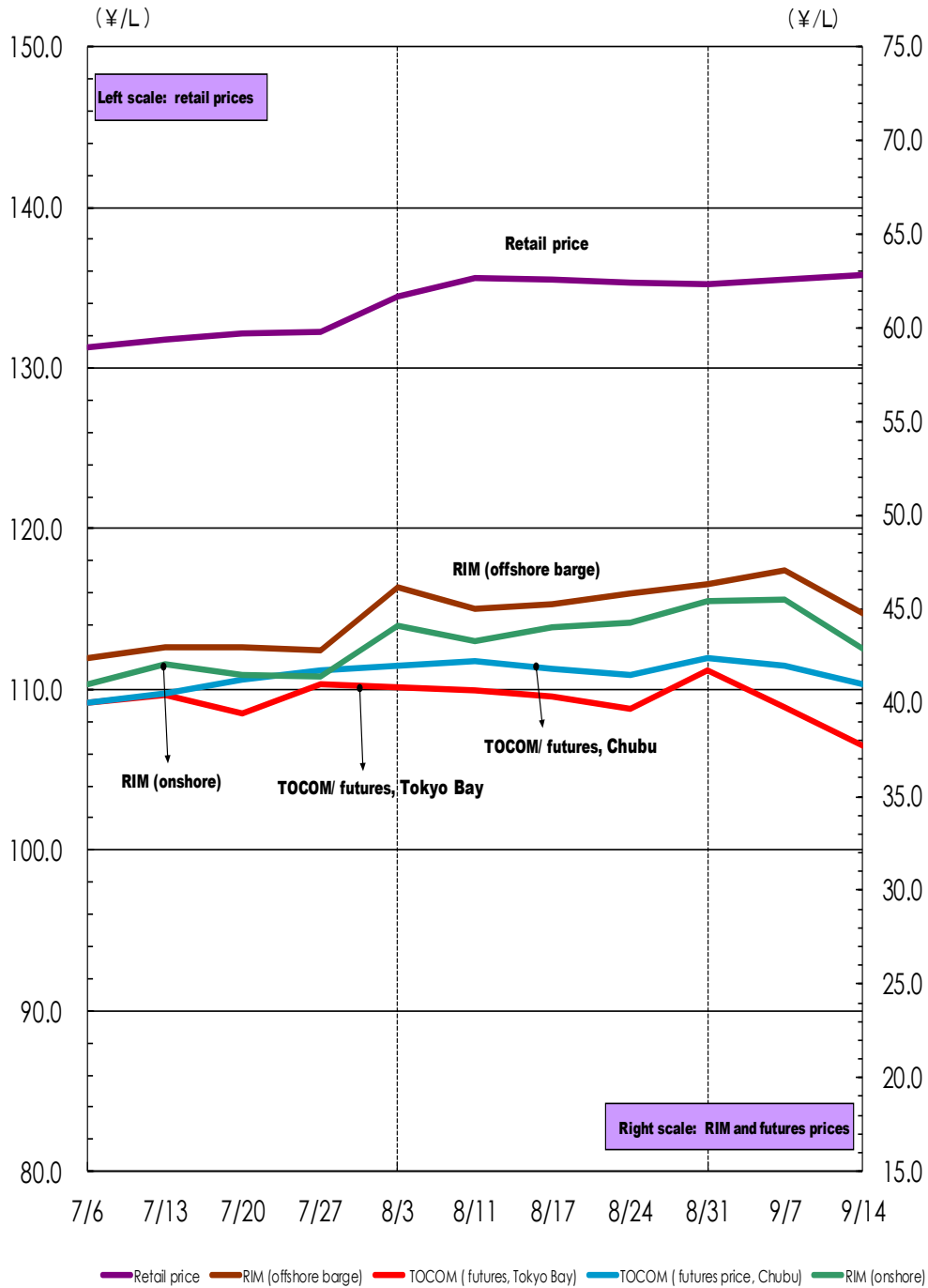
Retail gasoline price on the next price survey day (September 23) are expected to increase slightly from a week earlier.

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
	This week (9/14)	Previous week (9/7)	From a week earlier	Latest high	
Regular	135.8	135.5	▲ 0.3	08/8/4	185.1
Kerosene	81.2	81.2	▶ 0.0	08/8/11	132.1
Diesel oil	116.3	116.0	▲ 0.3	08/8/4	167.4

Nationwide average cash retail price (including consumption tax)
Since April 2007, 2,000 service stations have been covered.
Latest highs are highest levels since October 2003.

Gasoline price trend

(2020/7/6 ~ 2020/9/14)



(Note) ① Retail price includes consumption Tax, RIM, TOCOM prices are before tax.
 ② RIM (onshore) is the average of four district .

Announcement

This report is available at the center's website (<https://eneken.ieej.or.jp/en/>).
The next issue (No. 13 for 2020) will be announced at 14:00 on October 9.

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Weekly Oil Market Review

In an interim report compiled in May 2004 by a petroleum products market trend study panel sponsored by the Petroleum Distribution and Retail Division of the Natural Resources and Fuel Department at the Agency for Natural Resources and Energy, the panel stated, "We hope that the Japanese oil industry will solidify its market and price-finding functions and that the oil industry as a mainstay industry in Japan will further enhance its rationality and vitality over a medium term as industry people deepen their understanding of the need for rational price recognition based on market and price-finding functions to be established in the oil industry and for business decisions based on recognition under the principle of self-responsibility."

In response to the report, this Center has published the Weekly Oil Market Review as a tool for oil-related people, business administrators (particularly service station managers) and ordinary consumers to accurately understand crude oil and petroleum products supply and demand and price trends, in cooperation with relevant organizations such as the Petroleum Association of Japan and the Zensekiren (Japan's Dealers Association) since May 2005.

Sources of data provided in this report

① [Crude oil and petroleum products supply and demand] (weekly PAJ report)

Data in weekly statistics on crude oil and petroleum product supply by the Petroleum Association of Japan are calculated in terms of 1,000 kiloliters. Shipments are estimated by this Center.

② [Crude oil and futures prices] (WTI crude and Middle Eastern crude)

For the WTI crude, the front-month WTI crude futures contract's daily closing price on the New York Mercantile Exchange (NYMEX) is adopted.

For the Middle Eastern crude, the front-month Middle Eastern crude futures contract's closing price on the Tokyo Commodity Exchange (TOCOM) is adopted. * "Second-month (next-month) contract"

Underlying the Middle Eastern crude price is the average price for the Dubai and Oman crude oil. The telegraphic transfer middle rate (TTM) released by the Bank of Tokyo-Mitsubishi UFJ is adopted as the foreign exchange rate.

The crude oil import CIF price is a dollar-denominated reference price estimated by the PAJ based on the average crude oil price (on a 10-day basis) in the Ministry of Finance trade statistics.

③ [Motouri wholesale prices of petroleum products in Japan]

Motouri wholesale prices are prices for transactions between Motouri petroleum products wholesalers (primary wholesalers) and their affiliates (secondary wholesalers).

Motouri companies modified their new pricing system in April 2010 to decide specific policies in comprehensive consideration of crude oil and petroleum products market prices, each other's prices and other data. In June 2014, they modified the system further to give greater priority to crude oil cost.

④ [Gyoten spot prices of petroleum products in Japan] (RIM gyoten)

Onshore cargo spot prices are the average onshore lorry rack prices for the four districts of Tokyo, Kawasaki, Chukyo and Hanshin in the Lorry Rack Report of RIM Intelligence Co.

⑤ [Futures prices of petroleum products in Japan] (TOCOM)

Front-month petroleum products futures contracts' daily closing prices for TOCOM Tokyo Bay and Chubu are adopted.

TOCOM Tokyo Bay prices are the average offshore barge prices for the Keihin district. TOCOM Chubu prices are the average lorry rack prices in the Chubu district.

⑥ [Retail prices of petroleum products in Japan] (Weekly trend survey)

Average cash retail prices at some 2,000 service stations subject to a weekly nationwide survey are adopted (as released by the Agency for Natural Resources and Energy). The survey covers prices on Monday and is released at 14:00 on Wednesday (available on the website of the Agency for Natural Resources and Energy).